



October 28, 2013

Ms. Veronica Tapia, Management Analyst II  
City of Palm Desert  
73-510 Fred Waring Drive  
Palm Desert, CA 92260

Dear Ms. Tapia:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Palm Desert Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 13, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations for the reasons specified:

- Item No. 176 – Project Area 1 reserve for debt service in the amount of \$300,000. The Agency states that the reserve is needed to ensure that the requirements set for bond debt service can be met should the Tax Increment funds cap out in 2021 before the debt is completely paid off. HSC section 34171 (d) (1) (A) states that a reserve may be held when required by the bond indenture or when the next property tax allocation will be insufficient to pay obligations due under provisions of the bond for the next payment due in the *following half of the calendar year*. Therefore, this item is not eligible for RPTTF funding at this time.
- Item Nos. 46-50, 103-105, 136-138, 171-172, 175, and 180-187 – Bond funded projects in the amount of \$104,267,445. A Finding of Completion was issued on May 15, 2013 and the Agency can now utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants. However, the Agency requested 100 percent of the total obligation for each of the projects listed. HSC section 34177 (l) (3) states that the Recognized Obligation Payment Schedule shall be forward looking to the next six months. The Agency agreed that the requests were for more than a six-month period and sent a revised schedule of estimated costs for the six months of \$24,355,000. Therefore, the total bond funding for these items has been adjusted by \$79,912,445 from the original request amount of \$104,267,445 to \$24,355,000.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that are required to be used prior to requesting RPTTF. Pursuant to

HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency had requested and received \$1,200,000 million under Item No. 176 for debt service reserves for Project Area No. 1 during ROPS 13-14A.

Therefore, the funding source for the following items are being reclassified to the funding source and in the amounts specified below:

- Item Nos. 3 and 4 – Tax Allocation Bonds Issue in the amount of \$1,200,000. The Agency requested and received \$1,200,000 RPTTF for debt service reserves during ROPS 13-14A for Project Area 1 bond payments. Therefore, Finance is reclassifying RPTTF requested for debt service payment by applying \$1,131,241 to Item No. 4 and the remainder of \$68,759 to Item No. 3.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part as enforceable obligations or for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

[http://www.dof.ca.gov/redevelopment/meet\\_and\\_confer/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$20,730,822 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2014</b>	
Total RPTTF requested for non-administrative obligations	21,881,497
Total RPTTF requested for administrative obligations	656,445
<b>Total RPTTF requested for obligations</b>	<b>\$ 22,537,942</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>21,881,497</b>
<u>Denied Items</u>	
Item No. 176	(300,000)
<u>Reclassified Items</u>	
Item No. 3	(68,759)
Item No. 4	(1,131,241)
	<u>(1,200,000)</u>
<b>Total RPTTF approved for non-administrative obligations</b>	<b>20,381,497</b>
<b>Total RPTTF approved for administrative obligations</b>	<b>656,445</b>
<b>Total RPTTF approved for obligations</b>	<b>21,037,942</b>
ROPS III prior period adjustment	(307,120)
<b>Total RPTTF approved for distribution</b>	<b>20,730,822</b>

Please refer to the ROPS 13-14B schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14B%20Forms%20by%20Successor%20Agency/).

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

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Please direct inquiries to Beliz Chappuie, Supervisor or Anna Kyumba, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Ms. Janet Moore, Director of Housing, City of Palm Desert  
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County  
Auditor-Controller  
California State Controller's Office